

Intercarrier Compensation and Incumbent Rural Exchange Carriers

Ex Parte Presentation

January 6, 2004



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Today's Mechanisms

- Roughly match revenues and cost
- Rely heavily on Universal Service, Pooling, and Per Minute Access Rates to realize cost recovery
- Provide substantial portion of revenues for rural telcos



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The Rural Situation

- All of the customary situations still exist:
 - High Cost
 - Low Density
 - No Economies of Scale
- Huge Differences Throughout Rural Areas
 - By Rural ILEC
 - By Size of Company
 - By State

The Rural Challenge

- Critical Issues must be addressed
- Future investment requires a reasonable expectation of profitability
- A good understanding of the existing conditions is essential to developing sound policy

Data on Existing Conditions

- NTCA Work Group formed in December, 2002
- Work Group quickly identified the need for data regarding intercarrier compensation for rural companies, particularly the state impacts
- Data request developed in Spring, 2003



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NTCA Data Request

- Request sent to all NTCA members in April, 2003
- Request encompassed over 300 data items related to intercarrier compensation issues
- Extensive instruction/training provided
- 371 Responses received (approx. 60% of members)



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Data Analysis - Participation

- After extensive validation and data review a total of 331 responses are included in the analysis
- Data from 3 or more companies received from 24 states.
- Data received from an additional 17 companies in 10 states where 1 or 2 responses were received.
- Data analyzed by state and by line size groups



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of Companies Participating

(SA = Study Area)

Co. Max Size	NTCA SAs	Total SAs	% NTCA of Total
500	19	101	18.8%
1000	44	161	27.3%
2500	92	316	29.1%
5000	63	217	29.0%
10000	61	204	29.9%
20000	43	135	31.9%
50000	5	62	8.1%
100000	4	35	11.4%
Total	331	1,231	26.9%



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USF Loops Participating

Co. Max Size	NTCA USF Loops	Total USF Loops	% NTCA of Total
500	5,885	29,205	20.2%
1000	34,189	123,116	27.8%
2500	154,714	530,127	29.2%
5000	227,797	793,247	28.7%
10000	434,681	1,439,477	30.2%
20000	618,260	1,889,213	32.7%
50000	170,200	1,893,222	9.0%
100000	272,398	2,535,446	10.7%
Total	1,918,124	9,233,053	20.8%



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General Company Information

- Company size
- Composition of Access Lines
- Revenue Sources
- Current Local Rates
- Local Calling Areas
- Access Line Growth
- Access Minute Growth

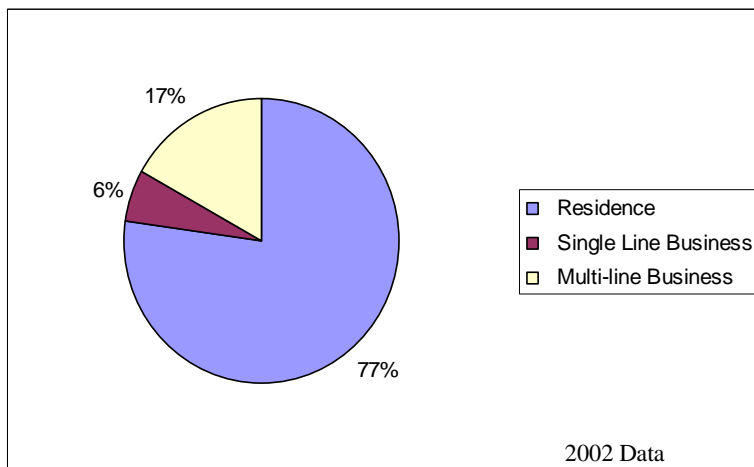


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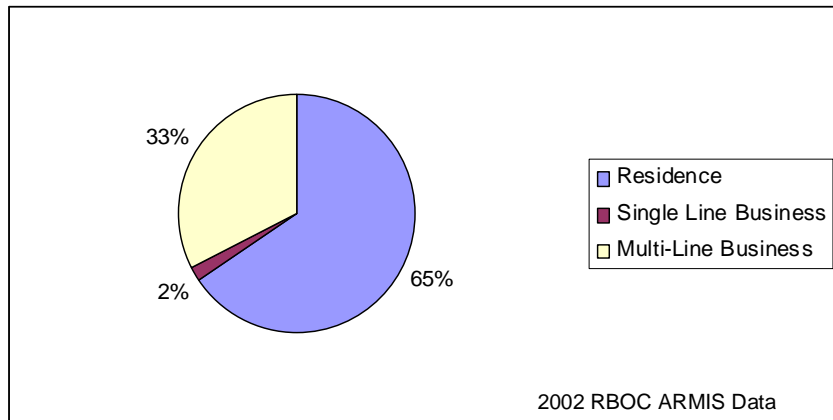
Exchange & Company Size

				<u>Companies</u>		<u>% of Respondents</u>	
Number of Lines				Average Lines/ Exchange	Total Access Lines	Average Lines/ Exchange	Total Access Lines
Less Than		100		3	2	0.9%	0.6%
Between	101	500		101	17	30.6%	5.1%
Between	501	1,000		100	46	30.3%	13.9%
Between	1,001	2,500		94	94	28.5%	28.4%
Between	2,500	5,000		19	69	5.8%	20.8%
Between	5,001	10,000		11	51	3.3%	15.4%
Greater Than	10,000			2	52	0.6%	15.7%
				330	331	100.0%	100.0%

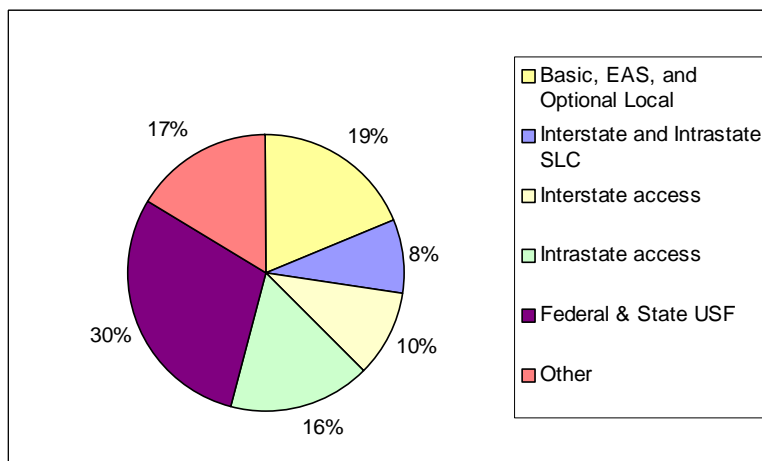
Access Line Composition-Rural



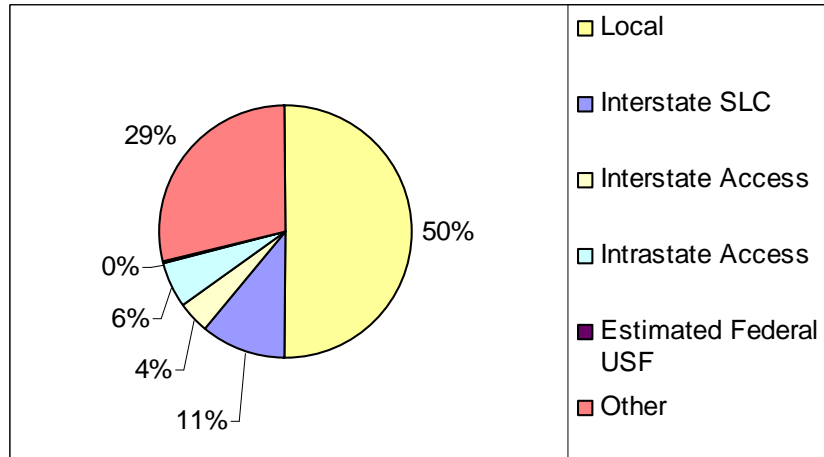
Access Line Composition-RBOC



Rural ILEC Revenue Sources



RBOC Revenue Sources

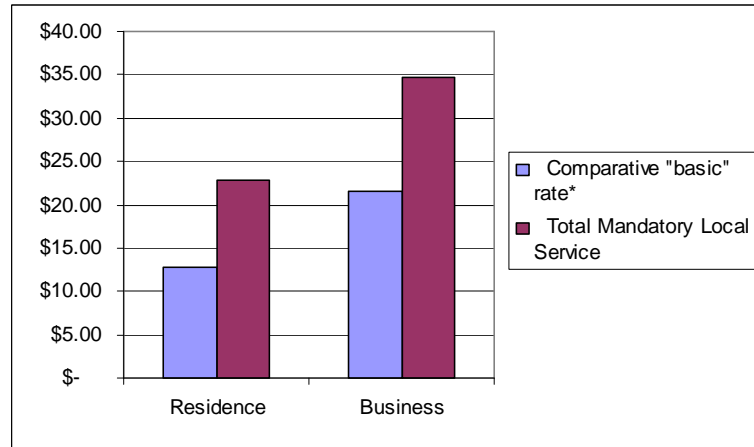


2002 RBOC ARMIS Data

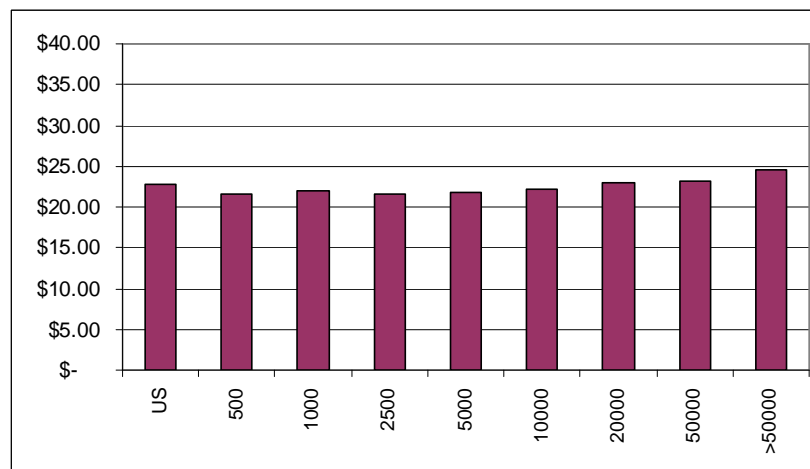
Local Rates

- “Comparative Basic Rate”
 - A. Tariffed local rate
 - B. Extended Area Service rates (if any)
 - C. Touch calling rate (if any)
- “Total Mandatory Local Service”
 - A. “Comparative Basic Rate”
 - B. Federal SLC
 - C. Federal & State surcharges (USF, 911, TRS, etc.)
 - D. Federal and state taxes

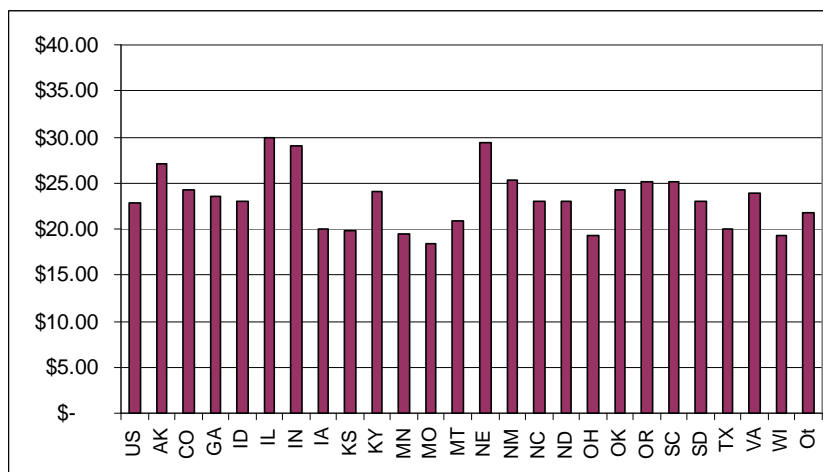
Local Rate Comparison-Rural



Local Mandatory Rates—Res.—By Group



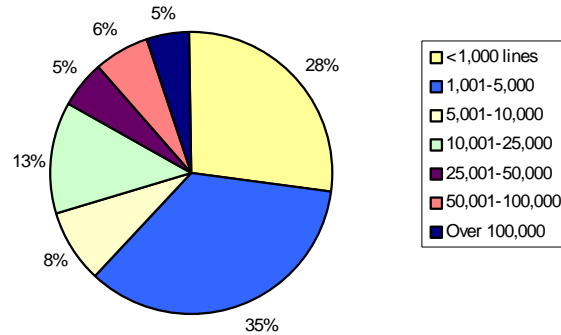
Local Rates Mandatory–Res. By State



Local Mandatory Rates-Stratification

			<u>Companies</u>		<u>% of Respondents</u>	
<u>Total Mandatory Local Rate</u>			Local-Res	Local-Multi-line Bus	Local-Res	Local-Multi-Line Bus
Less Than	\$ -	\$ 15.00	10	2	3.0%	0.6%
Between	\$ 15.01	\$ 20.00	108	16	32.6%	4.8%
Between	\$ 20.01	\$ 25.00	126	58	38.1%	17.6%
Between	\$ 25.01	\$ 30.00	63	89	19.0%	27.0%
Between	\$ 30.01	\$ 35.00	22	66	6.6%	20.0%
Between	\$ 35.01	\$ 40.00	0	46	0.0%	13.9%
Between	\$ 40.01	\$ 50.00	1	44	0.3%	13.3%
Between	\$ 50.00	\$ 100.00	1	9	0.3%	2.7%
			331	330	100.0%	100.0%

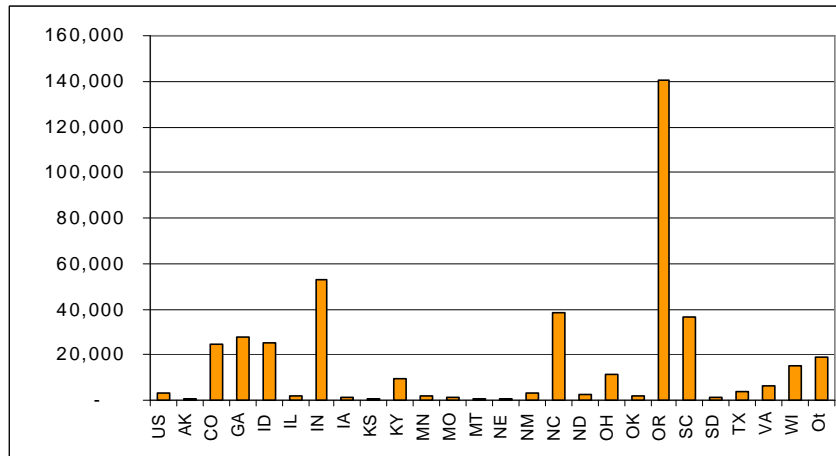
Local Calling Areas-% of Companies



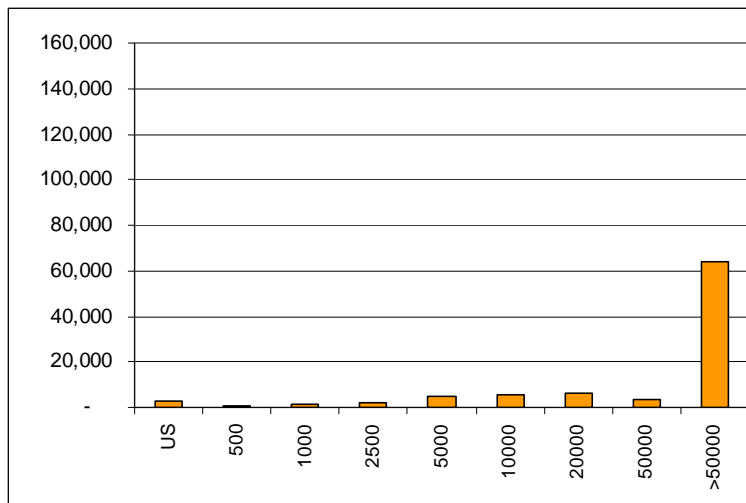
Local Calling Areas

Average Calling Area Size (lines)			Companies	% of Respondents
Less Than	100		5	1.5%
Between	101	1,000	85	25.7%
Between	1,001	2,500	63	19.0%
Between	2,501	5,000	51	15.4%
Between	5,001	10,000	28	8.5%
Between	10,001	25,000	43	13.0%
Between	25,001	50,000	18	5.4%
Between	50,001	100,000	21	6.3%
Greater Than	100,000		17	5.1%
			331	100.0%

Median Avg. Calling Area by State

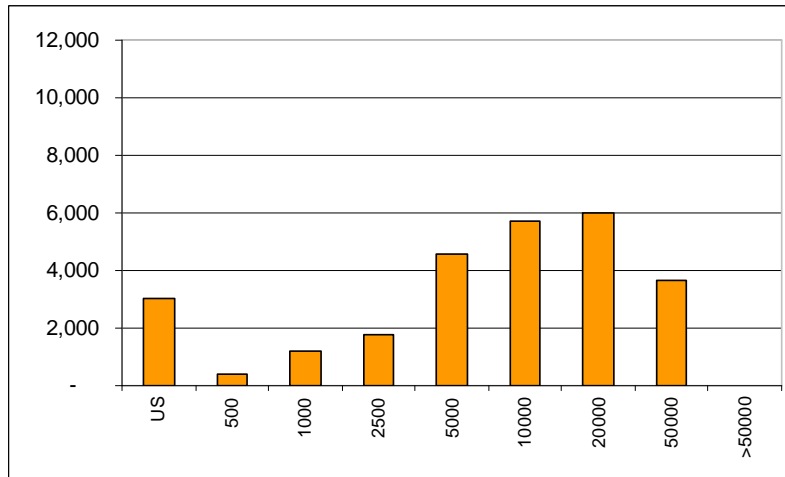


Median Avg. Calling Area by Group



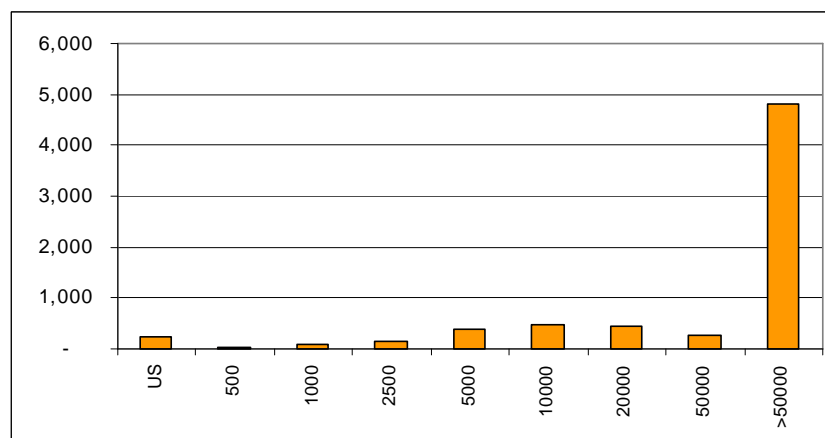
Median Avg. Calling Area by Group

Groups w/smaller calling areas

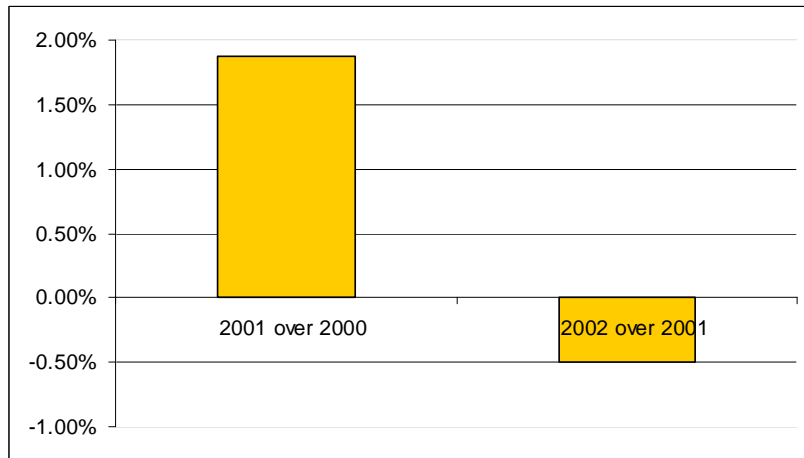


Avg. Local Calling Area/\$ of Basic Rate

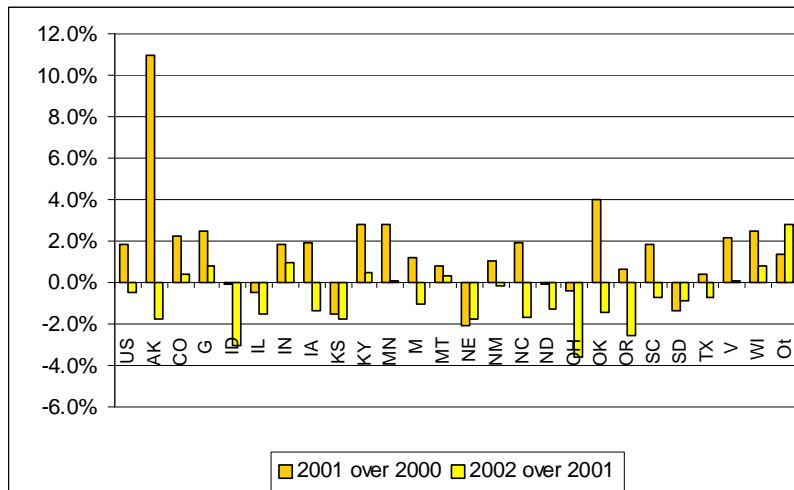
by Group



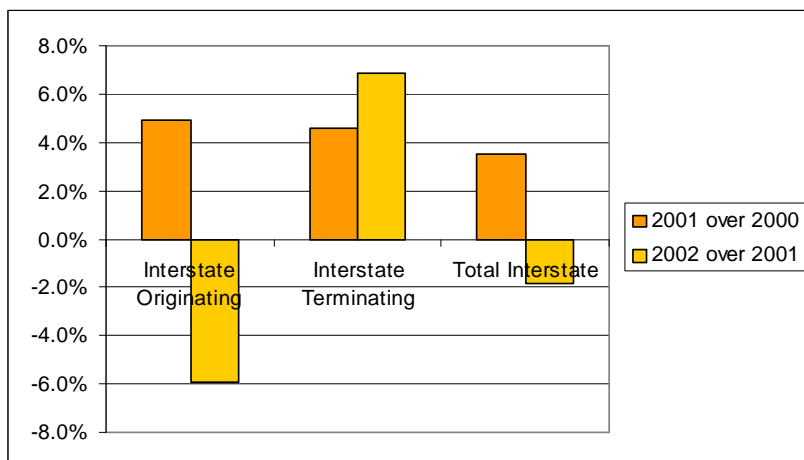
Access Line Growth



Access Line Growth - States



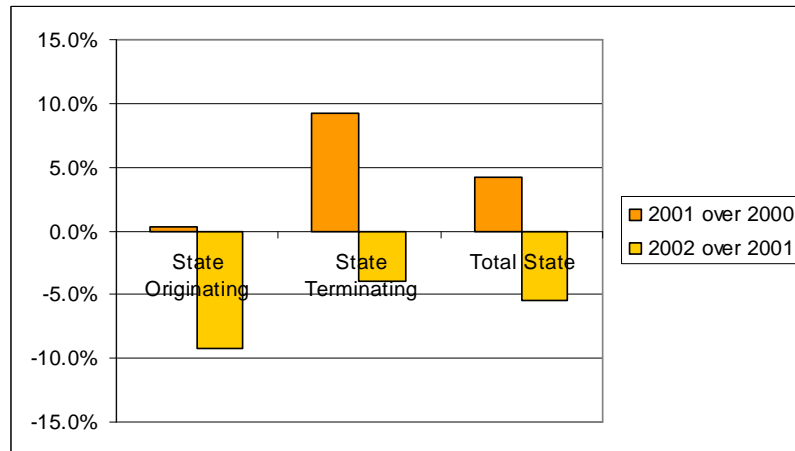
Access Minute Growth-Interstate



Access Min. Growth - Interstate

			<u>Companies</u>		<u>% of Respondents</u>	
<u>Access Minute Growth Rate</u>			<u>2001 to 2000</u>	<u>2002 to 2001</u>	<u>2001 to 2000</u>	<u>2002 to 2001</u>
Less Than	-10.0%		35	41	11.0%	12.7%
Between	-9.9%	-5.0%	22	41	6.9%	12.7%
Between	-4.9%	-1.0%	42	43	13.2%	13.3%
Between	-0.9%	0.9%	33	38	10.3%	11.8%
Between	1.0%	4.9%	70	55	21.9%	17.0%
Between	5.0%	9.9%	64	51	20.1%	15.8%
Greater Than	9.9%		53	54	16.6%	16.7%
			319	323	100.0%	100.0%

Access Minute Growth – State



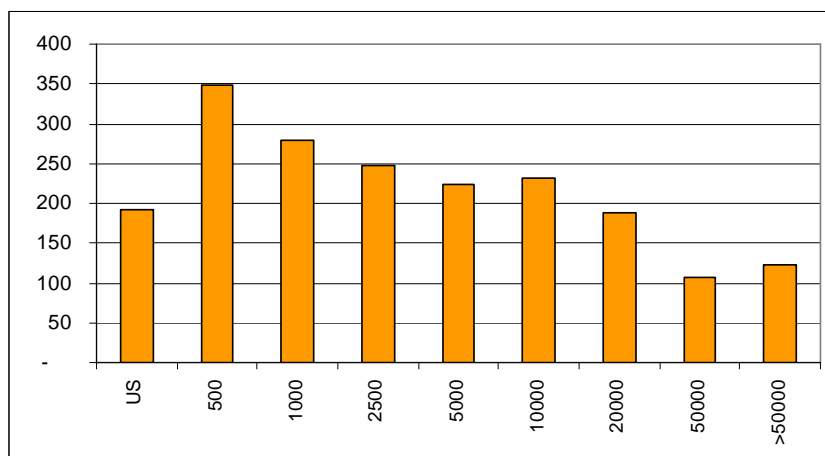
Access Min. Growth - State

			<u>Companies</u>		<u>% of Respondents</u>	
<u>Intrastate Access Minute Growth Rate</u>			<u>2001 to 2000</u>	<u>2002 to 2001</u>	<u>2001 to 2000</u>	<u>2002 to 2001</u>
Less Than		-10.0%	25	64	7.9%	19.9%
Between	-9.9%	-5.0%	41	78	12.9%	24.2%
Between	-4.9%	-1.0%	66	55	20.8%	17.1%
Between	-0.9%	0.9%	26	35	8.2%	10.9%
Between	1.0%	4.9%	59	32	18.6%	9.9%
Between	5.0%	9.9%	34	18	10.7%	5.6%
Greater Than	9.9%		66	40	20.8%	12.4%
			317	322	100.0%	100.0%

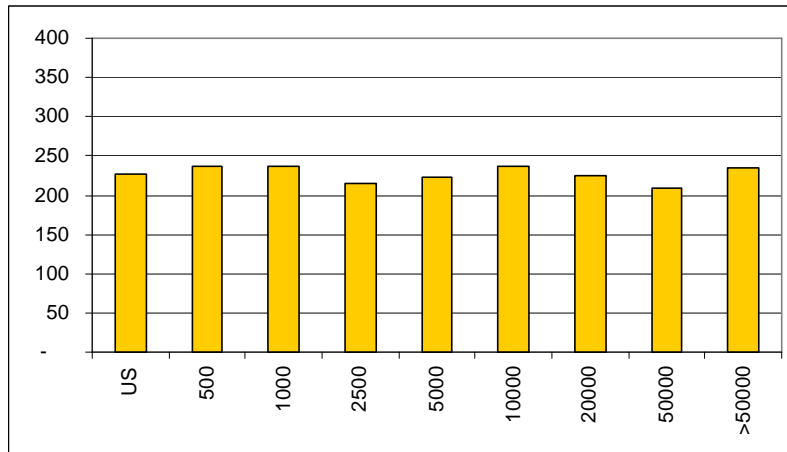
Access by Company Size

- State & Interstate
 - Minutes
 - Rates
 - Billing/Line

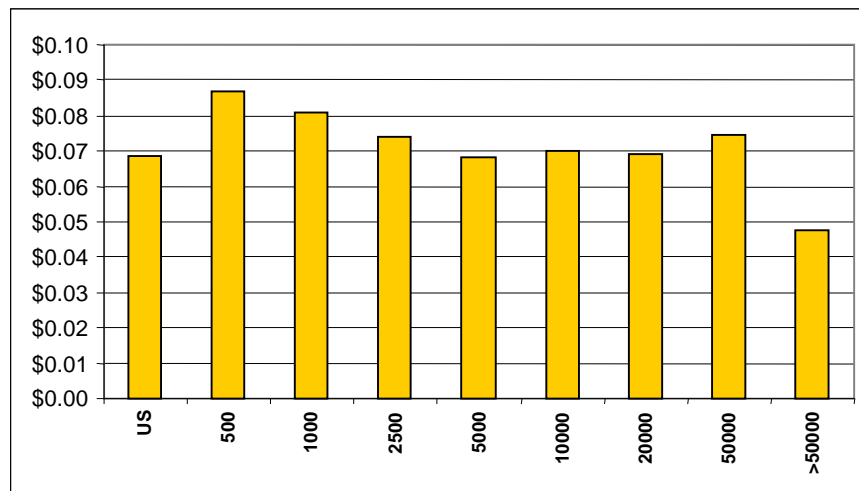
State Access Min./Line - Groups



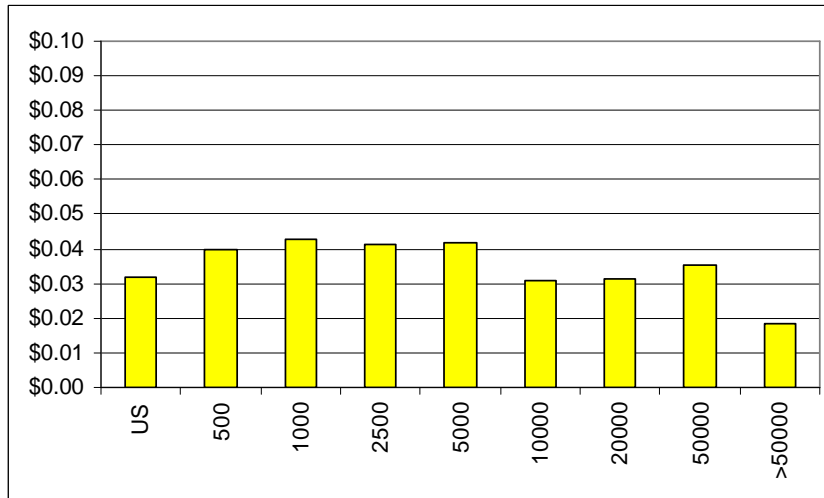
Interstate Access Min./Line-Groups



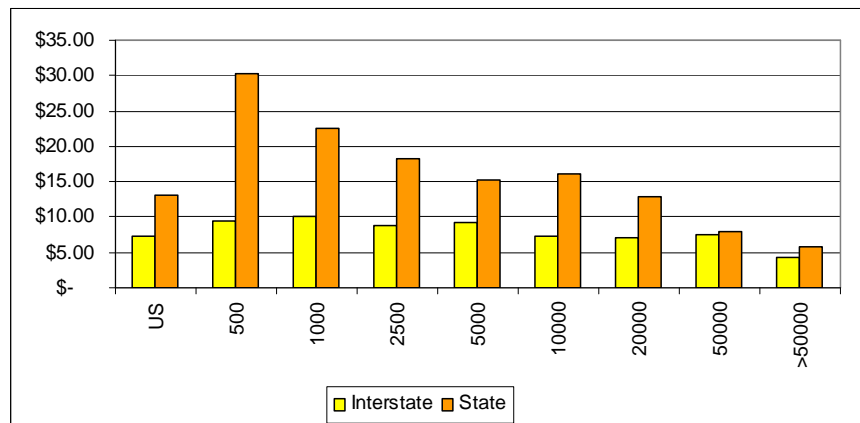
State Access Rates/Min. - Groups



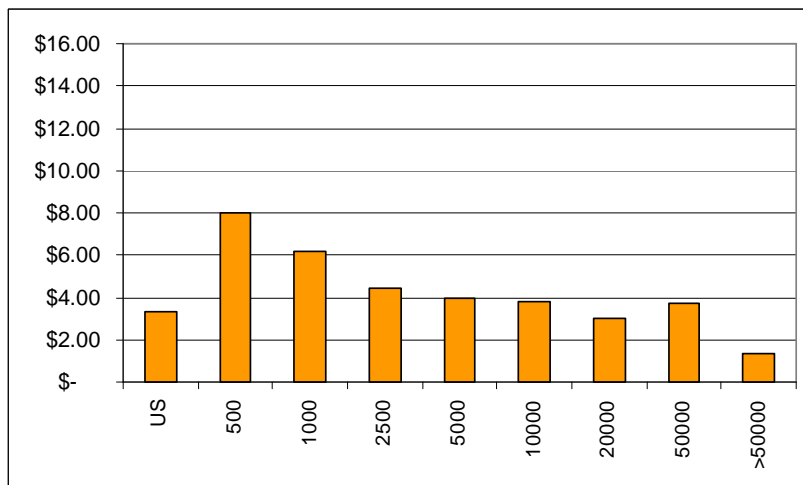
Interstate Access Rates/Min. - Groups



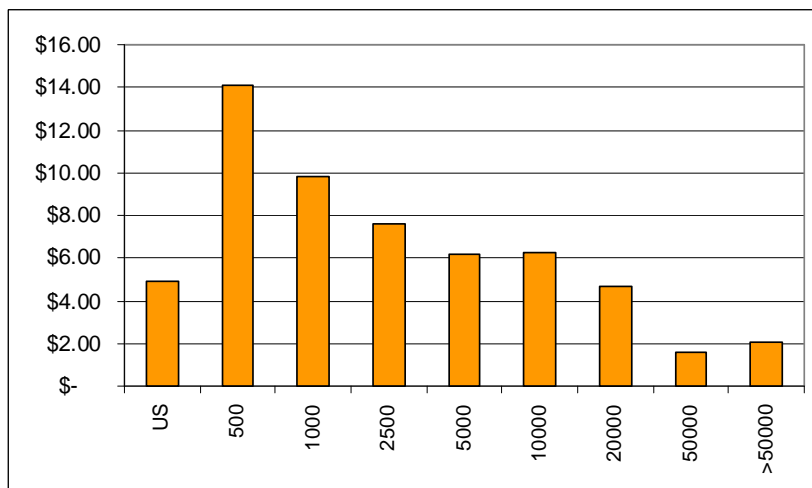
Billed Access/Line - Groups



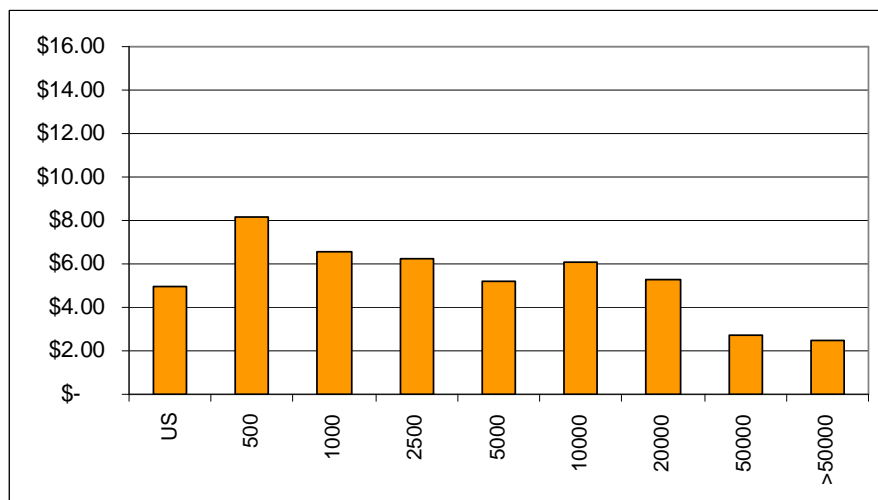
State Transport Rev./Line - Groups



State Local Switch Rev./Line-Groups



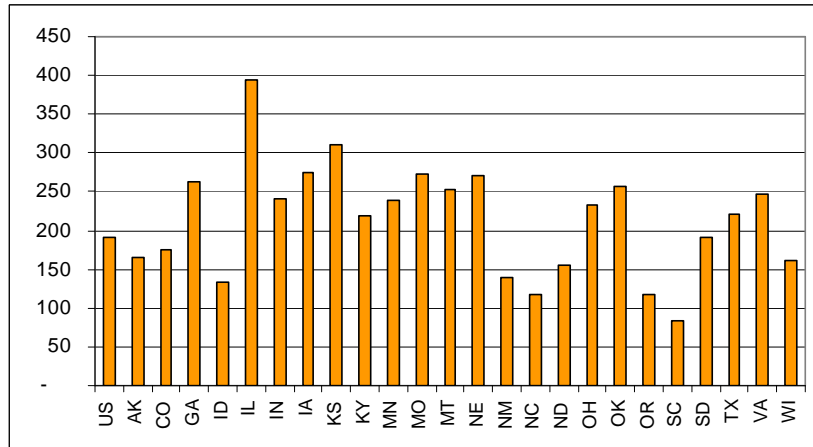
State CCL Rev./Line - Groups



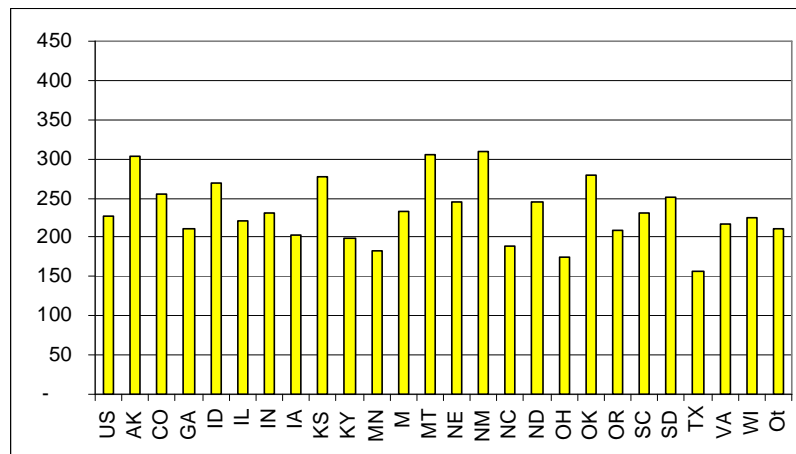
Access by State

- State & Interstate
 - Minutes
 - Rates
 - Billing/Line

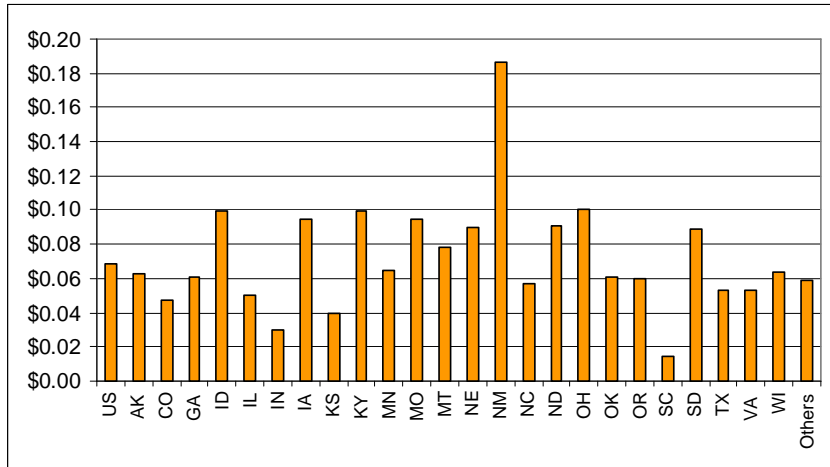
State Access Min/Line - States



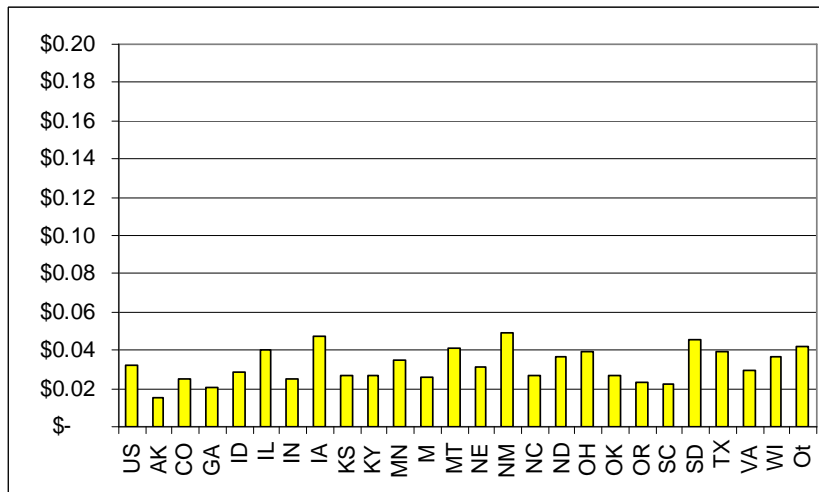
Interstate Access Min./Line-States



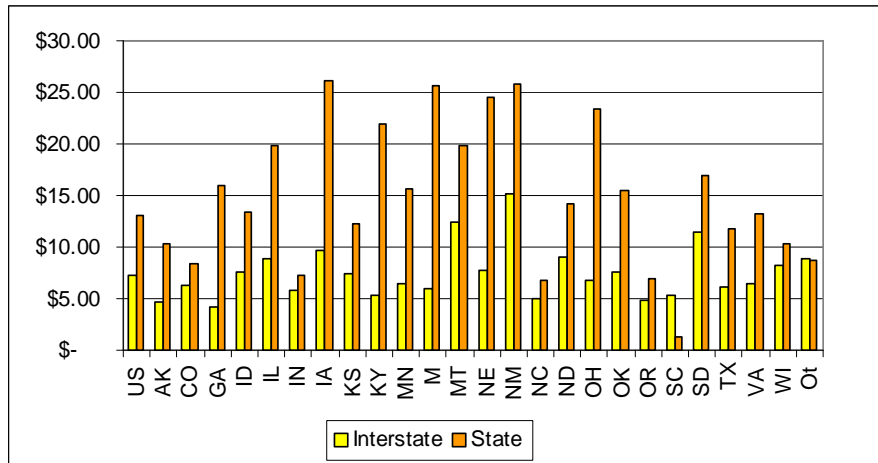
State Access Rates/Min. - States



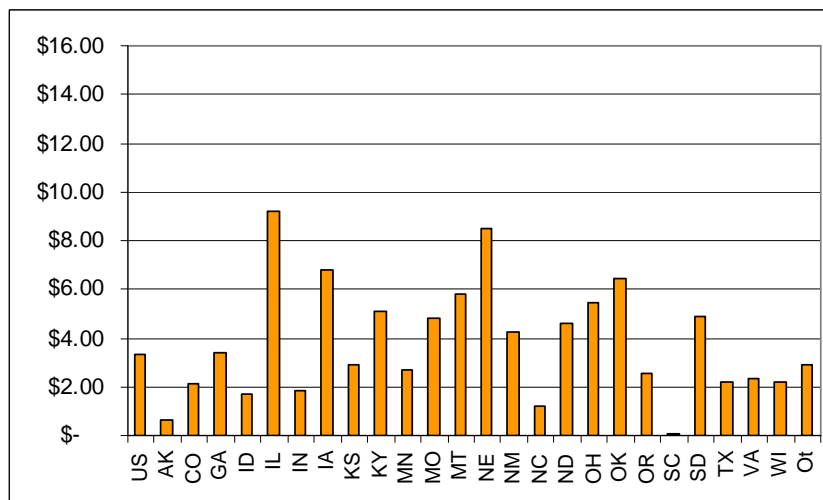
Interstate Access Rates/Min. – States



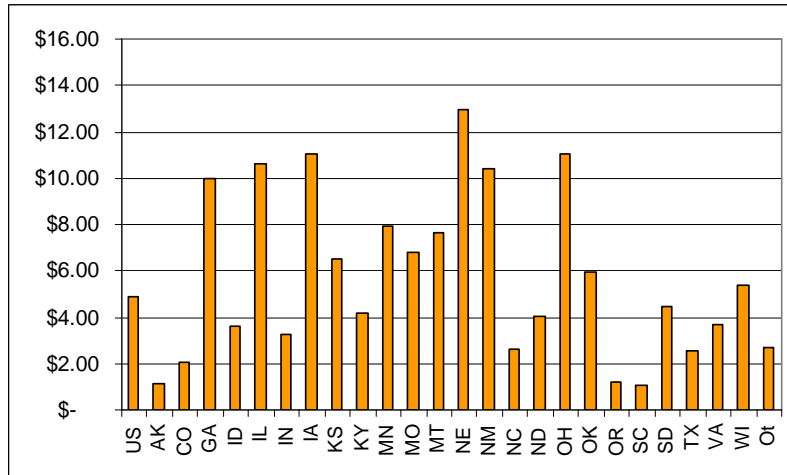
Billed Access/Line-States



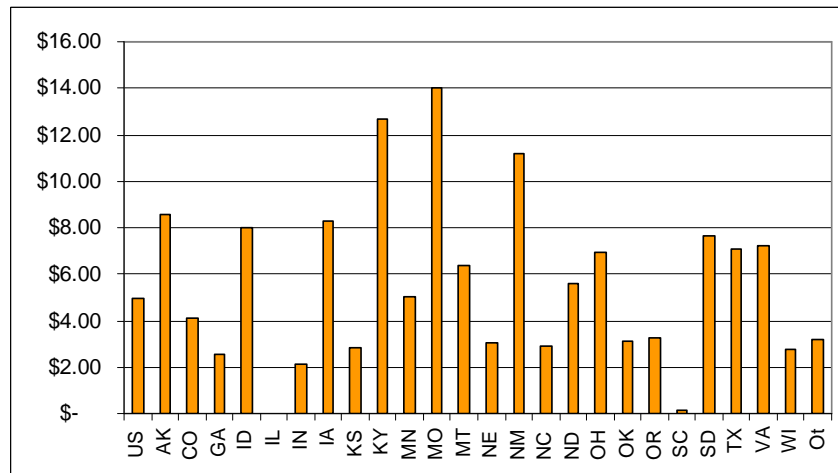
State Transport Rev/Line-States



State Local Switch Rev./Line-States



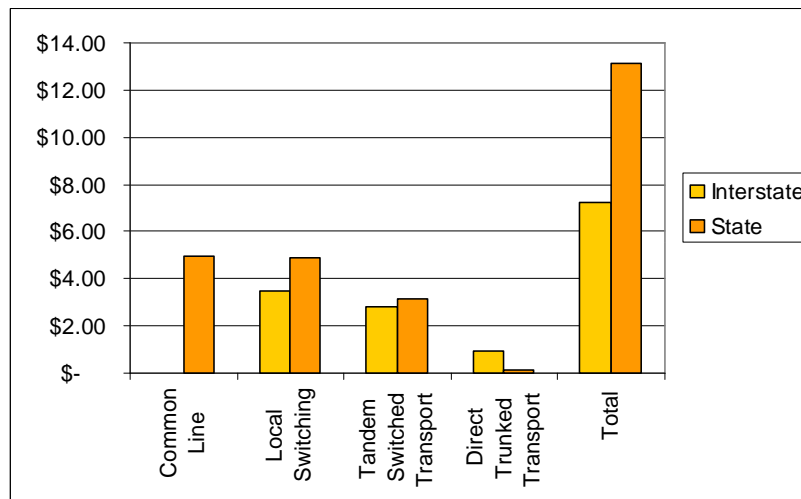
State CCL Rev./Line – States



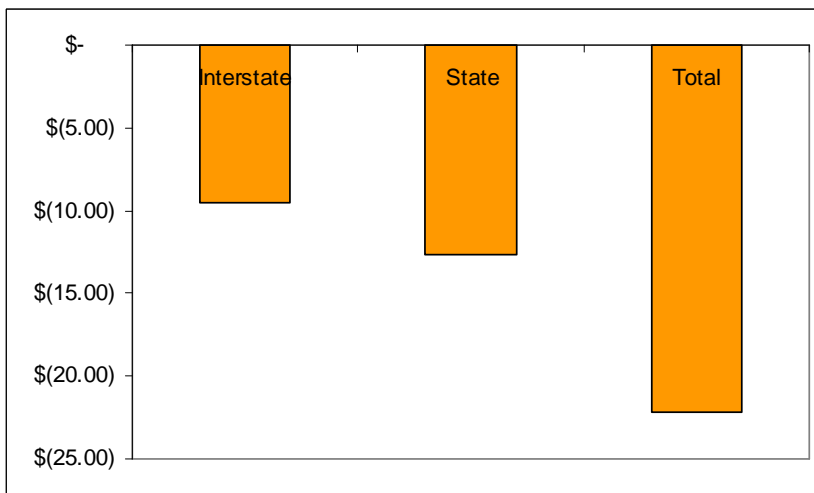
Access Rates - Stratification

<u>Average Rate/Minute</u>	<u>Companies</u>		<u>% of Respondents</u>	
	Interstate	State	Interstate	State
Less Than \$ - \$ 0.030	166	22	50.2%	6.6%
Between \$ 0.031 \$ 0.050	108	51	32.6%	15.4%
Between \$ 0.051 \$ 0.075	37	129	11.2%	39.0%
Between \$ 0.075 \$ 0.100	9	90	2.7%	27.2%
Between \$ 0.101 \$ 0.150	8	30	2.4%	9.1%
Between \$ 0.151 \$ 0.250	2	8	0.6%	2.4%
Greater Than \$ 0.250	1	1	0.3%	0.3%
	331	331	100.0%	100.0%

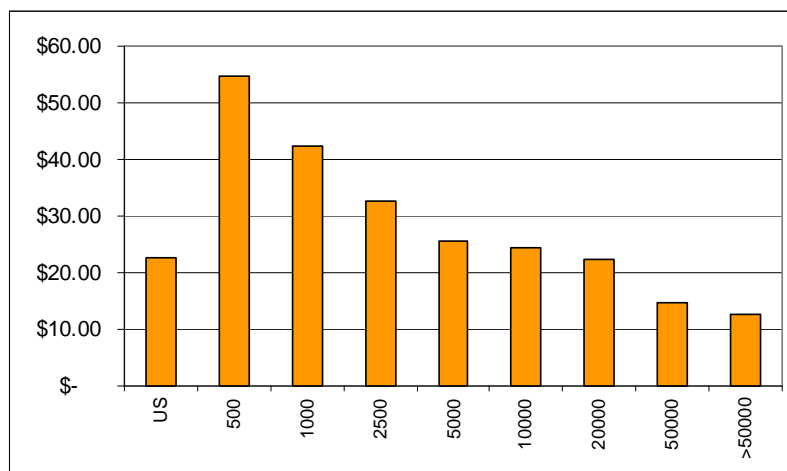
Billed Access/Line-Rate Categories



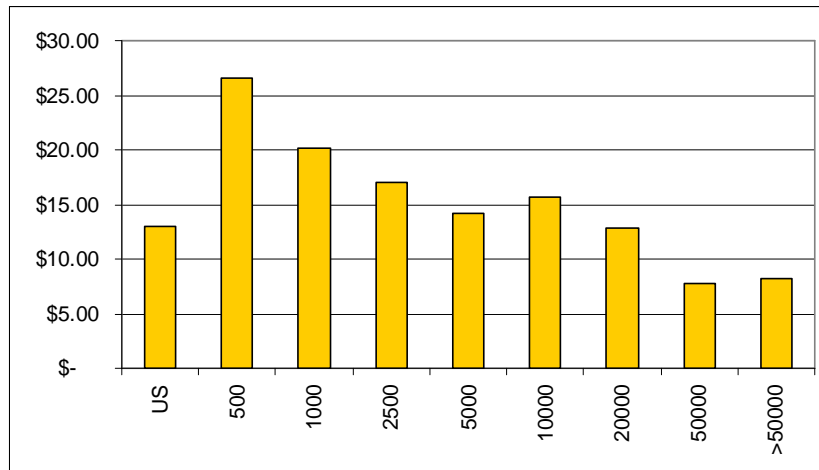
COBAK Impact/Line-Total



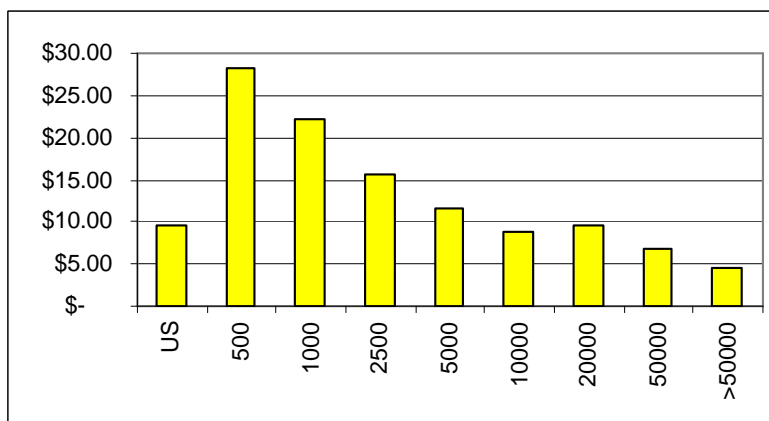
COBAK Impact/Line Total-Groups



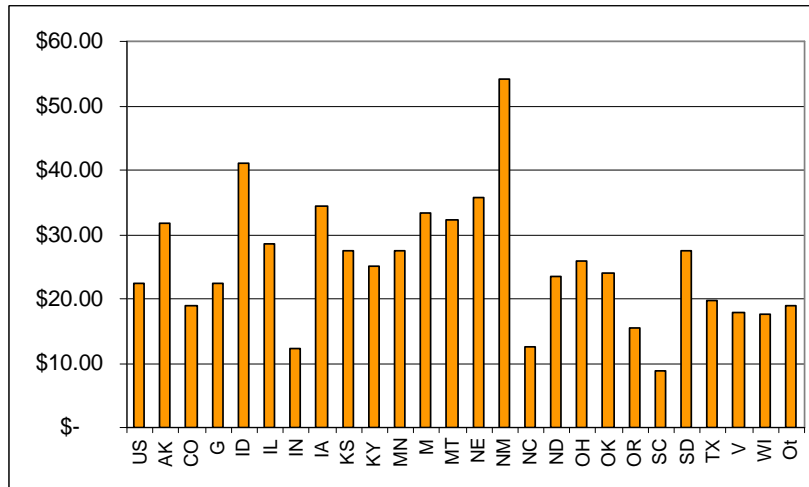
COBAK Impact/Line-State-Groups



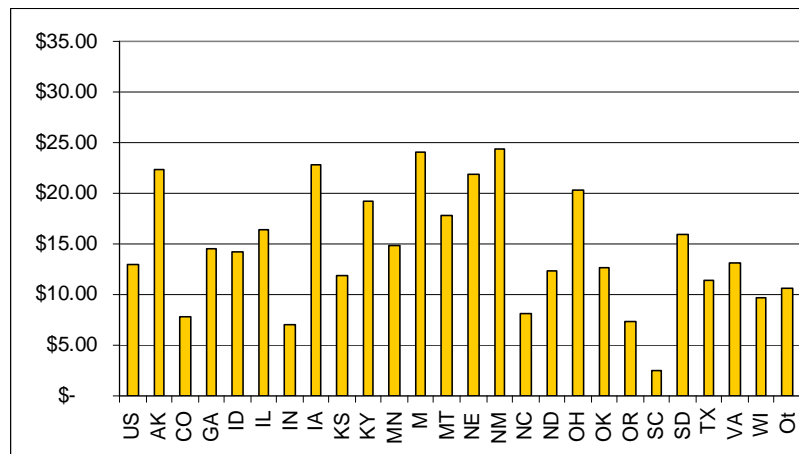
COBAK Impact/Line-Interstate-Groups



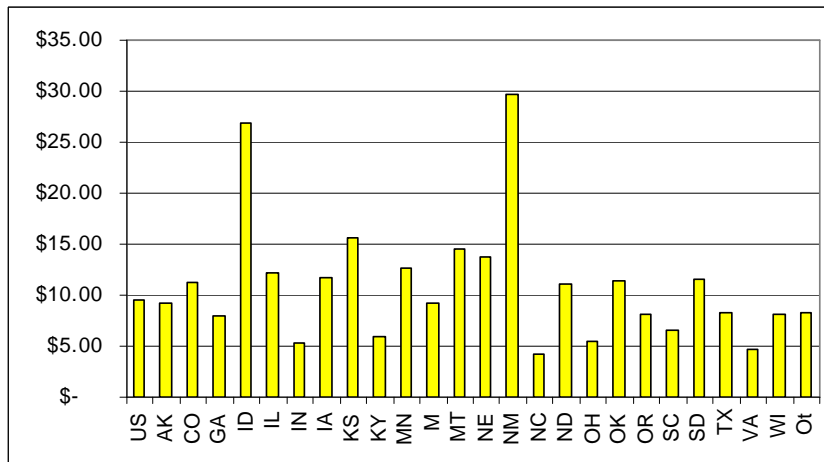
COBAK Impact/Line–Total-by State



COBAK Impact/Line-State-States



COBAK Impact/Line-Interstate-States



COBAK Impact/Line

Impact Per Access Line Per Month	Interstate		State		Total
Common Line Elimination	\$	-	\$	(4.93)	\$ (4.93)
Local Switching Elimination	\$	(3.48)	\$	(4.90)	\$ (8.38)
Originating Local Transport Elimination	\$	(1.34)	\$	(1.50)	\$ (2.84)
Elimination of Net Settlement	\$	(1.54)	\$	(0.39)	\$ (2.28)
Payment for Transiting Orig. Transport	\$	(0.64)	\$	(0.55)	\$ (1.18)
Optional Calling Plan CCL, LS & Orig Trans. Elim.			\$	(0.41)	\$ (0.41)
Optional Calling Plan Paymnt for CCL, LS Elim.			\$	0.01	\$ 0.01
Optional Calling Plan Orig. Transit Payment Inc.			\$	-	\$ -
Estimated special access reduction	\$	(2.49)			\$ (2.49)
Total (including special access)	\$	(9.50)	\$	(12.67)	\$ (22.16)

COBAK Impact-Industry Extrapolation

Total Dollar Impacts (\$ in millions)	Interstate	State	Total
Common Line Elimination	\$ -	\$ (445)	\$ (445)
Local Switching Elimination	\$ (348)	\$ (420)	\$ (768)
Originating Local Transport Elimination	\$ (135)	\$ (148)	\$ (283)
Elimination of Net Settlement	\$ (75)	\$ (33)	\$ (108)
Payment for Transiting Orig. Transport	\$ (68)	\$ (50)	\$ (118)
Optional Calling Plan CCL, LS & Orig Trans. Elim.		\$ (42)	\$ (42)
Optional Calling Plan Paymnt for CCL, LS Elim.		\$ 1	\$ 1
Optional Calling Plan Orig. Transit Payment Inc.		\$ -	\$ -
Estimated special access reduction	\$ (259)		\$ (259)
Total (including special access)	\$ (884)	\$ (1,139)	\$ (2,023)



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Conclusion

- The data emphasizes the wide variation in impacts between companies and states.
- COBAK would have an adverse impact on rural companies and consumers.
- This data should be considered before the FCC issues an order in the pending Inter-carrier Compensation proceeding.



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